

MATTHEW H. MEAD
GOVERNOR

THE STATE



OF WYOMING

STATE CAPITOL
CHEYENNE, WY 82002

Office of the Governor

January 13, 2011

The Honorable Philip Nicholas
The Honorable Rosie Berger
Joint Appropriations Committee
State Capitol, Room 204
Cheyenne, WY 82002

Dear Senator Nicholas and Representative Berger:

It is my distinct pleasure to address my budget priorities and formally request your support of my recommendations for the 2011-2012 Supplemental Budget. Please consider the following:

Healthcare Financing

To date, Medicaid expenses have not caused us the budget problems other states face, but it will not be long before they take their toll in Wyoming. Medicaid just keeps growing and growing. Without our close attention, we are sure to find our financial resources sapped, in the not too distant future, to meet the appetite of the Medicaid program absent a reduction in other services.

As I mentioned in my State of the State address yesterday, we should take a serious look at reorganizing the Department of Health. It is big and unwieldy. It requests more money each year regardless of the amount of money it got the year before. I have selected Tom Forslund to be head of that Department. During his many years of serving as the City Manager in Casper, Mr. Forslund built a great track record of managing budgets, programs, and human resources. I would like Mr. Forslund to be involved in any reorganization of the Department. In the meantime, I ask the Legislature for authority to allow me to appoint the head of the Health Financing Unit and have that person report directly to me. This is a topic I raise because I believe there is money to be saved through streamlining the Department of Health and through greater oversight of the Medicaid program.

I also suggest establishing a more consistent and accurate system for projecting Medicaid costs. I recommend that the Governor's Office, Budget Office and LSO work together to establish a modeling system similar to the CREG. We need to adopt one consistent budgeting process and forecasting method. Different projections, often from day to day, are not the way to do business and would be unworkable, indeed unacceptable in the private sector. This demands our immediate attention.

I support the allocation of an additional \$25 million in general funds for the already established Medicaid Reserve Account in the State Auditor's Office. Because more reliable cost controls are not in place as of now, it is critical that we add to this reserve fund to meet potential, additional shortfalls.

There was some good news in November. Cost figures for that month were significantly lower than those for the same month of the previous year. Initial projections are that December cost figures will also move down. The costs for November were down approximately \$6.4 million compared to the same month last year, and the costs for December

are projected to be down approximately \$5.3 million compared to December 2009. However, a two month decline in spending is not a trend. Until a clearer picture is available, I support the current budget recommendation before you.

Health Care Litigation Fund

As you know, I have taken steps to join with other states in the Florida lawsuit that challenges the recently passed federal health care law. In my view, the law is unconstitutional and infringes on individual liberties. Just as we should fight vigorously to protect our First or Second Amendment rights, we should fight to protect our Tenth Amendment rights. Wyoming's voice should be heard. For these reasons, through the Attorney General's Office, I have requested that Wyoming join the federal lawsuit pending in Florida. Although the cost to join this lawsuit is low, there are health litigation issues besides those involved in the Florida case. These could result in additional legal expenses. Two examples are analyzing and commenting on complicated regulations to implement the law and defending the State if we are sued based on how we choose to proceed or not to proceed. I ask for your support of a health litigation fund.

PWMTF Spending Policy Reserve Account – Local Governments and Highways

Investing in Wyoming infrastructure and adequately funding cities, towns and counties are among my highest priorities as Governor. More than an investment in infrastructure and communities, such spending is a down payment on ensuring that Wyoming contractors, city and county workers, and small business people are working in our communities. We will climb out of the economic downturn much more quickly if we sustain our communities during difficult times. Our cities, towns and counties are the backbone of our state and should be assisted now when assistance is needed. Local governments need predictable, additional revenue.

The time is right to do the work needed to build and repair highways because it will cost us so much more in coming years when the economy has recovered and costs have risen. The time is right to address deferred maintenance across the state.

It is for these reasons that I support the diversion of one half of the one percent statutory severance tax from the Spending Policy Reserve Account, which has a projected balance of \$156,455,945. Further, I request to divide that balance equally among local governments, highways, and the Legislative Stabilization Reserve Account. I propose that the allocation for local governments be distributed as follows: the first \$2,595,290 should be directed toward the local government payback of past mineral royalty overpayments and the remaining \$49,556,692 should be split 75% for capital construction and 25% for operations.

This should be established as a permanent diversion to demonstrate the State's ongoing commitment to local governments and highways and allow for adequate planning and investment. However, if a sunset provision is desired, I would propose that the diversion be for seven years through June 30, 2018.

School Facilities Commission

At this time, I do not support \$61,934,428 in supplemental funds to support construction of school facilities. I remain skeptical that more dollars spent on buildings translate to better education. I want a plan in place that convinces me these dollars are being spent for the maximum benefit of Wyoming. We do not want out-of-state contractors to play the system to the detriment of Wyoming contractors. Additionally, you have before you legislation that addresses the structure of the School Facilities Commission. I want to see these issues resolved before we add more dollars through the supplemental budget to the School Facilities Commission to build schools.

Recruitment of Mega Data Centers

It is vitally important that we expand and diversify Wyoming's economy and seek out businesses that develop and enhance our state's natural advantages. We have the opportunity to be a major draw for mega data centers with our abundance of relatively inexpensive electricity and our favorable weather climate – two of this industry's significant needs. We have demonstrated Wyoming's incredible value in the past through the recruitment of the National Center for Atmospheric Research (NCAR) supercomputing facility, which is under construction in Cheyenne.

It is for these reasons that I support the allocation of \$14.5 million in general funds for the recruitment of mega data centers. In the past two months I have had the opportunity to discuss Wyoming's competitive advantage with several large data centers. These data centers position Wyoming to be a leader in a technology economy. The workforce required for data centers will attract other technology-related businesses. There is proposed legislation to modify existing tax exemptions to serve as a financial incentive. I support that legislation; however, there will remain unmet infrastructure needs for those cities and towns in which these data centers will locate.

This \$14.5 million will be used for public infrastructure and will be available to multiple communities. This funding will greatly benefit the public and will leverage more private investment and jobs and increase and diversify our tax base. I ask that this money be placed in the Governor's Office which is a bit new, but I request this for a number of reasons. First, I have been meeting with these companies over several months and agility -- a quick turnaround – may be required to get them to commit to locating in Wyoming. The Governor's Office has such agility. Second, when meeting with these companies, if the money is placed in my office, I would have the funds in hand to back up my encouragement that they invest their resources here. Finally, I could make sure that the funds go to multiple data centers, not to just one. Assuredly, the Business Council will be involved in the process.

Executive Branch Market and Performance Adjustments

An investment in our workforce is one that I consider appropriate and thus I recommend moving 3,872 employees to 90% of market pay. This represents an investment of \$6,138,495 in general funds. This is an appropriate and necessary investment in our state workforce. State employees should be recognized for their service to the State.

Further, I support a reduced amount of \$3,132,000 in one-time general funds to allow agency directors to recognize and reward those employees who exceed expectations. This will require a meaningful system for recognizing excellent performance by state employees. We should not reward average; we should reward excellence. These funds should be placed in the State Auditor's Office and be distributed to individual agencies upon proper approval (the Governor and the Department of Administration and Information Director, Administrator of the Human Resources Division, and Administrator of the Budget Division).

Community College/WPTV and University of Wyoming Employee Compensation

Compensation of Community College and UW employees should be subject to similar objective standards as other state employees; however, the current proposal for providing additional compensation funding was not calculated in relation to market adjustment figures as presented in the state employee compensation proposal. Absent the necessary data from the Community Colleges and UW, I recommend that the \$12,389,252 in general funding be delayed until the appropriate data analysis can be performed.

University of Wyoming State Aid

I recommend that additional funds to support membership in the Greater Western Library Alliance be reduced to \$1.8 million, which would be biennialized in the 2013-2014 standard budget.

The supplemental budget before you provides significant AML funds to the University of Wyoming. A portion of that funding is intended for the construction of a Science, Technology, Engineering and Mathematics (STEM) Laboratory Facility. While I support this investment, I recommend that \$3.5 million of the \$50 million request be set aside for early operations of this new facility.

Further, I recommend that the University of Wyoming demonstrate the outcomes of our AML investments, including evidence of the ability to attract high level graduate students. This is an important investment. I believe we must be prepared to show the results of our investments.

DEQ Additional Staff

My administration will strive to have a regulatory framework that is timely and certain. I will work with agencies to ensure that we keep government red tape and paperwork to a minimum and lengthy delays are avoided.

Despite small increases in staffing over time, the Land Quality Division within the Department of Environmental Quality continues to see ever increasing backlogs in reviewing and maintaining permits. This situation needs to be rectified sooner rather than later. In order to address the more immediate concern of permit delays, I support reclassifying 4 FTEs from other agencies. I am concerned this may not fully eliminate increases to the backlog. For this reason, I support \$1.5 million in one-time general funds to hire contractors to address the current backlog, which should only be made available upon my approval of a plan, including regular progress reports, to address this backlog.

Air Service Enhancements

Air service is a critical element in expanding travel and tourism and in enhancing economic development efforts across the state. Therefore, I support fully funding the request for \$3,949,668 in general funds to ensure that all communities with commercial air service are supported through the end of the biennium. That said, I agree that the Aeronautics Commission must address its system for setting priorities in order to avoid creating unfunded expectations within communities in the future.

Travel and Tourism Marketing

Tourism is a crucial business for Wyoming, employing more than 30,000 people and generating an annual payroll of over \$700 million. It is an industry dedicated to celebrating the best of Wyoming – the great outdoors and our beloved western way of life. In addition to efforts to address deferred road maintenance, it is important that we continue to invest in successful targeted and inspired tourism marketing. We are planting seeds with our visitors and it often leads them to move here and relocate their businesses. It is a win-win proposition when our tourism industry is thriving. I request your support for the Tourism Board's supplemental request to expand advertising, marketing and digital enhancements; however, I recommend that funds for digital enhancements be one-time funds.

Corrections

Before you is a request by the Department of Corrections to fund Level I and II planning and design for the renovation of an existing building at the Wyoming Women's Center in Lusk for the purpose of establishing a best-practices program for

women and children. I support this planning; however, I request that we not proceed with construction before the planning effort is complete. Therefore, I recommend removal of \$1.2 million in general funds for completion of this project.

Livestock Board

The agriculture industry is critical to the State of Wyoming. I support \$361,185 in other funds and \$4,006 in general funds for technology upgrades that will assist in better serving this vital sector of our economy. The Livestock Board needs this funding, in part for hardware replacements and purchase of new systems for each field and sale barn inspector. This investment should be overseen by the Chief Information Officer (CIO).

IT Consolidation/CIO Position

I support using technology to take maximum advantage of improving the business climate, enriching our personal and work lives, and improving state government. Through legislation approved in the 2010 budget bill, Governor Freudenthal appointed a committee of state agency representatives and information technology staff to initiate planning for the transformation and consolidation of state information technology programs. The committee examined consolidation measures to improve services, eliminate redundant activities, and leverage state resources. In support of this move toward consolidation, I am recommending that the CIO position be established as a permanent position within the state system.

The Rockwell Building – Sheridan

I recommend that the general fund request of \$437,576 for Rockwell Building maintenance costs be denied and that the State explore options for selling this building. Until that transaction takes place, I further recommend that these maintenance costs be funded out of the State Building Commission contingency reserve.

Wyoming Veterans Memorial Park

I recommend that the \$250,000 in one-time general funds, designated for the construction of a memorial at the Wyoming Veterans Memorial Park to honor our veterans who have served in military conflicts which have occurred since the Vietnam War, be placed in the State Parks and Cultural Resources Department budget for allotment in a process similar to that previously used for state appropriations for this Park.

Thank you for your consideration of these recommendations.

Best regards,

Matthew H. Mead
Governor

c: Members of the Joint Appropriations Committee